

## Message Text

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C O N F I D E N T I A L MOSCOW 0538

E.O. 11652: GDS

TAGS: EFIN, ETRD, EGEN, US, JM, UR

SUBJECT: IZVESTIYA COMMENTARY ON IMF CONFERENCE IN JAMAICA

REF: 75 MOSCOW 16715, 75 MOSCOW 16695, STATE 008912

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1. INTRODUCTION AND SUMMARY - PROBABLY MOST AUTHORITATIVE  
SOVIET COMMENT THUS FAR ON JAMAICA MEETING OF IMF APPEARS IN  
ARTICLE BY B. VINOGRADOV PUBLISHED IN IZVESTIYA  
JANUARY 13. WRITTEN IN CYNICAL, NEGATIVE VEIN WHICH WAS  
EVIDENT IN SOVIET DESCRIPTIONS OF THE RAMBOUILLET CONFERENCE  
IN NOVEMBER, ARTICLE PRESENTS JAMAICA MEETING AS FUTILE  
ATTEMPT BY WESTERN CAPITALIST POWERS AND MONOPOLY INTERESTS  
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RAMBOUILLET, WASHINGTON PROMISED TO KEEP THE FLUCTUA-

TIONS OF THE DOLLAR WITHIN FIXED LIMITS AND THE FRENCH, IN TURN, YIELDED ON THEIR DEMANDS FOR A RETURN TO A FIXED EXCHANGE RATE. THE DETAILS OF THIS US-FRENCH COMPROMISE WERE KEPT SECRET AND "HAVE NOT EVEN BEEN PUBLISHED AFTER THE JAMAICA MEETING." WHY? BECAUSE, SUGGESTS VINOGRADOV, THEY CONCERN THE EXTENT OF THE FLUCTUATION OF THE DOLLAR, SOMETHING WHICH IS A FRENCH-AMERICAN "GENTLEMEN'S AGREEMENT." AND, HE ADDS, WESTERN NEWSPAPERS ALSO BELIEVE THAT THIS SECRECY CONCEALS THE FACT THAT AT "JAMAICA THE VICTORY OF THE DOLLAR OVER GOLD AS AN INTERNATIONAL ACCOUNTING UNIT BECAME STRONGER."

4. TURNING TO THE POSITION OF THE DEVELOPING COUNTRIES, VINOGRADOV NOTES THAT THIS "INITIAL STEP IN MONETARY REFORM" HAS IN NO WAY BEEN HELPFUL FOR THEM, SINCE THE USE OF FLOATING EXCHANGE RATES HAS NOTICEABLY WORSENERED THEIR FINANCIAL POSITION. "WESTERN MONOPOLIES, ACTING IN LEAGUE WITH INTERNATIONAL BANKS, HAVE ASSURED THEMSELVES OF HUGE PROFITS, DESPITE WORLD MONETARY INSTABILITY." AND THE THIRD WORLD COUNTRIES, LOSING MONEY BECAUSE OF THE FLUCTUATIONS OF WESTERN CURRENCIES, HAVE SEEN THEIR FINANCIAL INDEBTEDNESS RISE STEADILY. THEIR TRADE DEFICIT WITH THE WEST IS EXPECTED TO BE MORE THAN US DOLS 30 BILLION THIS YEAR. CONSEQUENTLY, TO BUY OFF THIRD-WORLD COUNTRIES AND PREVENT THEM FROM ACHIEVING EQUAL STATUS WITH DEVELOPED STATES. IT ALSO ALLEGES THAT SECRECY ON DETAILS OF US-FRENCH ACCORD REACHED AT RAMBOUILLET IS ATTEMPT TO COVER UP "GENTELEMAN'S AGREEMENT" ON FLUCTUATION LIMITS FOR DOLLAR AND FACT THAT DOLLAR GIVEN PRIORITY OVER GOLD AS INTERNATIONAL ACCOUNTING UNIT. EMBASSY BELIEVES THAT SOVIETS PARTICULARLY IRRITATED BY IMF DECISION BECAUSE OF ITS IMPACT ON WORLD GOLD PRICE AT TIME WHEN USSR UNDER STRONG PRESSURES TO SELL MORE THAN USUAL ANNUAL AMOUNTS. END INTRODUCTION AND SUMMARY. END CONFIDENTIAL

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2. REVIEWING MONETARY ACTIVITY BY THE "COMMITTEE OF  
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TWENTY" PRIOR TO THE JAMAICA SESSION, VINOGRADOV NOTES THAT FOR SOME TIME FRANCE AND THE UNITED STATES WERE IN SHARP CONFLICT, THE FRENCH DEMANDING A FIXED EXCHANGE RATE AND THE UNITED STATES A FLOATIG RATE. THEN, "MORE THAN TWO YEARS AGO,AFTER THE SECOND DEVALUATION OF THE DOLLAR, AND THE INCREASE OF THE PRICE OF GOLD UP TO US DOLS 44.22 PER OUNCE," MOST COUNTRIES WERE FORCED TO LET THEIR CURRENCIES FLOAT, SOMETHING WHICH

FAILED TO REDUCE INTERNATIONAL MONETARY SPECULATION AND  
DID NOTHING TO STOP INFLATION.

3. AT THE MEETING OF THE "SIX CAPITALIST POWERS" AT  
SEVERAL DEVELOPING COUNTRIES HAVE NOW IMPOSED  
RESTRICTIONS ON TRADE WITH WESTERN NATIONS.

5. FACED WITH THE THREAT OF PROTECTIONISM  
MEASURES, THE CAPITALIST NATIONS HAVE NOW TAKEN  
SEVERAL STEPS. VINOGRADOV MENTIONS ONLY ONE, THE  
ESTABLISHMENT OF A SPECIAL FUND FOR LOANS TO DEVELOP-  
ING COUNTRIES, A MOVE WHICH WAS APPROVED AT JAMAICA.  
THIS WILL BE CREATED THROUGH THE SALE OF ONE-SIXTH  
OF IMF GOLD RESERVES AT WORLD PRICES, WHICH WILL AMOUNT  
TO BETWEEN ONE POINT FIVE AND TWO BILLION DOLLARS.

6. THE COMMENTARY CONCLUDES THAT "THE INITIATORS  
OF THIS ACTION COUNT ON MAKING ONE MORE BEACHHEAD FOR  
THE PENETRATION OF MONOPOLY CAPITAL INTO THE ECONOMIES  
OF THE DEVELOPING COUNTRIES." BUT THIS "CONCESSION"  
WILL NOT BE SUCCESSFUL. THE "JUST DEMANDS" OF THE  
DEVELOPING COUNTRIES FOR EQUAL RIGHTS IN FINANCIAL AND  
ECONOMIC RELATIONS WITH THE WEST CONTINUE TO BE  
IGNORED. THE JAMAICA SESSION HAS RESOLVED  
NEITHER CONFLICT BETWEEN "NORTH AND SOUTH" NOR BETWEEN  
THE CAPITALIST COUNTRIES THEMSELVES. END UNCLASSIFIED

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7. COMMENT - THIS EXPECTEDLY PROPAGANDISTIC TREAT-  
MENT OF THE JAMAICA MEETING IS PERHAPS SLIGHTLY MORE  
ACID THAN USUAL BECAUSE THE DECISION TO SELL IMF GOLD  
IS VERY POORLY TIMED AS FAR AS THE SOVIETS ARE CON-  
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CERNED. FACED WITH A NEAR-RECORD HARD CURRENCY TRADE  
DEFICIT AND A HARD CURRENCY GRAIN BILL OF SEVERAL  
BILLION DOLLARS, THE LAST THING THAT GOSBANK OFFICIALS  
WISH TO SEE IS A DROP IN WORLD GOLD PRICES. EMBASSY  
SPECULATES THAT DECLINE IN WORLD GOLD PRICE WHICH  
BEGAN LAST FALL - AFTER FIRST PROPOSAL FOR IMF SALE  
WAS MADE - MAY BE ONE OF MAIN REASONS THAT SOVIET GOLD  
SALES HAVE NOT BEEN EXCEEDING NORMAL LEVEL. WE BELIEVE  
THAT SOVIET ECONOMIC LEADERSHIP, LOATHE TO SELL GOLD  
AT WHAT THEY FEEL IS AN ARTIFICIALLY LOW PRICE, IS  
CURRENTLY TRYING TO SQUEEZE BY ON CREDITS AND SLIGHTLY  
INCREASED SALES OF ENERGY AND RAW MATERIALS TO  
WESTERN COUNTRIES. CONSEQUENTLY, JAMAICA DECISION CAN  
ONLY BE REGARDED AS BAD NEWS FOR THIS PART OF THE  
WORLD. END COMMENT. END CONFIDENTIAL

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